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SIPDIS

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USAID FOR DCHA/FFP LANDIS, WELLER, MUTAMBA, SKORIC,  
PETERSEN AND BERGMAN

USAID FOR DCHA/OFDA HALMRAST-SANCHEZ, BORNS, MARX,  
PRATT,AUSTRENG, KHANDAGLE AND BARTON

USAID FOR AFR/DP WARREN, KNEPP

USAID FOR AFR/SD WHELAN

USAID FOR AFR/SA COOKE, HAGELMAN, LOKEN

DEPT FOR AF/S, INR/GGI, PM/ISP

NCS FOR DWORKEN

NAIROBI FOR PUTNAM, ESTES, AND DEPREZ

MAPUTO FOR BLISS AND POLAND

LUANDA FOR LYVERS

HARARE FOR ATWOOD AND REED

PRETORIA FOR DISKIN, KHANDAGLE, PRATT, HALE, SINK, AND  
FAS HELM

GABORONE FOR KHUPE

ROME FOR FODAG

E.O. 12958: N/A

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SUBJECT: SITREP 29: DISASTER ALERT FOR EMERGING HUMANITARIAN ASSISTANCE NEEDS IN MALAWI

1. Summary: Many of the same conditions that sparked the 2001-2003 food crisis are emerging again this year in Malawi. The recently concluded harvest was slightly below the ten year average and below the 2001 harvest volume that presaged the 2001-2003 food crisis. Government maize stocks, which last year were at record highs, are depleted. Humanitarian stocks are also low with few donors having made formal food aid pledges to World Food Program (WFP) emergency operations in Malawi. Furthermore, uncertainty about Government maize imports may create disincentives for private sector imports. A lack of leadership in the Ministry of Agriculture has resulted in Government inaction and conflicting messages regarding the likely Government response. Lastly, a devaluation of the Malawian kwacha seems possible. Such devaluation would raise the Malawian kwacha price of imported maize for those households dependent on market purchases. Post request is contained in paragraph 14.

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FINAL RESULTS FROM FOOD PRODUCTION SURVEYS  
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2. Several districts in Malawi received below average rainfall and experienced periodic dry spells during the 2003/04 cropping season, resulting in a decline in agricultural production. According to recent assessments, districts in the Southern Region of the country were the most affected. Severely affected districts (40-50 percent decline in production relative to last year) are Machinga (eastern part), Phalombe, Chikwawa and Nsanje. Other affected districts (30-35 percent decline) include Chikwawa, Blantyre, Chiradzulu, parts of Thyolo, Mwanza, Balaka, parts of Zomba, Mangochi, Salima and Karonga.

3. Final crop estimates by the Ministry of Agriculture, Irrigation and Food Security (MOAIFS) have put national maize production at 1.69 million (metric) tons, 15 percent below the 1.98 million tons reported last year and slightly below the ten year national maize production average of 1.73 million tons. Results of a Food and Agricultural Organization (FAO) also put the maize harvest at 1.7 million tons. Annual consumption requirements for maize are thought to be in the neighborhood of 2 million tons. Rice production declined 25 percent from 88,000 tons last year to 66,000 tons this year. Cassava production has increased from 1.74 million tons to 2.5 million tons due to area expansion.

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MALAWI VULNERABILITY ASSESSMENT COMMITTEE (VAC) RESULTS  
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4. The independent, multi-agency Vulnerability Assessment

Committee (VAC) report was completed late last month. The VAC report estimates that between 1.34 million and 1.68 million people will require humanitarian food assistance in Malawi between June 2004 and March 2005.

15. The Malawi VAC report presents two scenarios for humanitarian food needs in Malawi, ranging from 56,030 tons (scenario 1) to 83,550 tons (scenario 2) in the 12 most affected zones. Scenario 1 assumes that food prices will remain relatively constant, while scenario 2 assumes that food prices rise 30 percent by end of the year. Post believes that the more pessimistic scenario 2 is more probable. WFP is gearing up to expand food distribution through a well-managed NGO consortium, but the WFP food pipeline remains severely constrained. WFP is making a strong appeal for donor pledges for Malawi.

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LACK OF PURCHASING POWER AND LIMITED MAIZE STOCKS  
INCREASE FOOD NEEDS  
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16. Malawi faces a set of structural problems that mean a significant portion of the population are vulnerable to increasingly smaller shocks. This is especially true during the "hungry season" when most households have run out of maize and are dependent on the market. Reliable maize trade links with Mozambique and Tanzania have enhanced food security in Malawi, but only for those with significant purchasing power.

17. Households in Malawi's Southern Region will need the most food aid this year, with needs already emerging in some districts (particularly Machinga, Phalombe, Nsanje and Chikwawa districts). The majority of relief assistance will be required during the hungry season beginning in October 2004 until the next harvest in April 2005.

18. Given the improved methods used by the VAC assessment this year, improved geographical targeting of food assistance will be possible. For example, with current VAC data, it will be possible to target assistance down to the Extension Planning Area (EPA) level rather than just the district level. Use of sorghum instead of maize in food aid programs will also reduce the likelihood of disrupting the important cross-border trade between Southern Malawi and Northern Mozambique.

19. In the aftermath of the pre-election maize sell-off, the Strategic Grain Reserve (SGR) silos are nearly empty. Only some 7,000 MT of maize remains and most of this maize is of poor quality and not fit for human consumption. The European Union has committed to help restock the SGR and is tendering for 28,000 tons. The Government of Malawi has promised to replace the 30,000 tons that were sold from the SGR in breach of agreed-upon procedures, but whether the Government will be able to do so remains to be seen.

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GOVERNMENT ACTIONS MAY CREATE DISINCENTIVES FOR  
COMMERCIAL IMPORTS  
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10. In past years, the bulk of Malawi's maize deficit has been met through formal and informal private sector imports. The year's maize deficit is estimated by the FAO to be 408,000 tons. Evidence from past years suggests that the informal cross-border trade could bring as much as 350,000 MT from Mozambique, Zambia and Tanzania this season.

11. However, the volume of private sector trade is dependent on the right price signals. That is, private traders need profit opportunities and information about likely Government of Malawi interventions in the maize market. In past years, Government importation and sales of maize at subsidized prices has discouraged the private sector maize trade while doing little to assist the most vulnerable populations.

12. Thus, recent reports that the Government of Malawi is planning to import 160,000 tons of maize could damage private sector incentives, actually reducing the total maize available in Malawi. Government officials have been tight-lipped about maize import plans. Furthermore, the Government of Malawi has not made it clear whether the maize sales will be continue at subsidized prices in light of the conversion of ADMARC into a limited liability company.

13. There is no indication that the Government of Malawi is planning to make a disaster declaration in the coming days. Yet, Post believes that such silence reflects the current lack of leadership within the Ministry of Agriculture rather than any firm belief that no assistance is needed.

14. Post request: USAID's Food for Peace (FFP) office has been working closely with Post to plan for the upcoming hungry season. Current FFP plans include diverting up to 5000 tons of food to Malawi. FFP recognizes that this will be insufficient, but faces tight FY 2004 budgets and high demand. As a result, Post strongly urges AID/W to consider a total food allocation to WFP/Malawi of 30,000 tons during the July 2004 to April 2005 period. Sorghum would be more appropriate than maize this year in Malawi. While the situation in Malawi is not yet at crisis stage, relatively small price shocks coupled with unmet humanitarian needs could quickly trigger a crisis later this year.

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